

HOUSE FINANCE COMMITTEE  
March 19, 2007  
1:40 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:40:47 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Bill Stoltze, Vice-Chair  
Representative Harry Crawford  
Representative Les Gara  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas, Jr.

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Charlene Morrison, Chief Financial Officer, Division of Retirement and Benefits, Department of Administration;  
Annette Kreitzer, Acting Commissioner, Department of Administration

PRESENT VIA TELECONFERENCE

None

GENERAL SUBJECT(S):

**OVERVIEW: PERS/TRS ACCOUNTING ISSUES**

The following overview was taken in log note format. Handouts will be on file with the House Finance Committee through the 25th Legislative Session, contact 465-6814. After the 25th Legislative Session they will be available through the Legislative Library at 465-3808.

<b>TIME</b>	<b>SPEAKER</b>	<b>DISCUSSION</b>
<a href="#">1:41:46 PM</a>	ANNETTE KREITZER, ACTING	Spoke of two of the governor's bills dealing with PERS/TRS issues. HB 204, a "technical fix bill", clarifies the

	COMMISSIONER, DEPARTMENT OF ADMINISTRATION	death and disability benefits for peace officers and fire fighters and addresses IRS structural issues. HB 206 deals with accounting issues associated with the cost share legislation. The Alaska Municipal League, the Alaska Retirement Management Board, and the governor, have recommended this accounting change to the PERS Defined Benefit (DB) Plan.
<a href="#">1:43:40 PM</a>	CHARLENE MORRISON, CHIEF FINANCIAL OFFICER, RETIREMENT AND BENEFITS	Provided a handout entitled "PERS DB Plan - Accounting Issues" (copy on file.) She addressed the purpose of the presentation - to address concerns about the employer level accounting resulting in contribution rates not being supported by employer level accounting records, and to set the stage to discuss a solution - Slide 2. She discussed proposed solutions of the cost share legislation - Slide 3.
<a href="#">1:45:24 PM</a>	Ms. Morrison	Explained that the state would assume 65 percent of the unfunded liability at 6/30/2006.
<a href="#">1:45:57 PM</a>	Ms. Morrison	Addressed Slide 4 - the unfunded liability.
<a href="#">1:46:20 PM</a>	Ms. Morrison	Explained that PERS is one system, but two plans, the defined benefit plan and the defined contribution retirement plan - Slide 5.
<a href="#">1:46:55 PM</a>	Representative Stoltze	Asked if there was any deviation from the plan to have a Tier IV. Ms. Kreitzer replied there is no change of plan.
<a href="#">1:47:52 PM</a>	Ms. Morrison	Reported that the PERS DB plan has no impact on TRS, benefits paid to members, PERS as a whole, or PERS Defined Contribution Plan - Slide 6.
<a href="#">1:48:55 PM</a>	Ms. Morrison	Reviewed the Agent Multiple Employer Plan - Slide 7.
<a href="#">1:49:33 PM</a>	Ms. Morrison	Related components of Alaska Statutes - Slide 8.
<a href="#">1:50:08 PM</a>	Ms. Morrison	Continued on Slide 9 with statute information.
<a href="#">1:50:31 PM</a>	Ms. Morrison	Explained the calculation where assets, minus liabilities, equals a surplus, or unfunded liability - Slide 10.
<a href="#">1:51:14 PM</a>	Ms. Morrison	Described how employer contributions are accounted for in two separate accounts - Slide 11.
<a href="#">1:52:03 PM</a>	Ms. Morrison	Explained Slide 12 - Retiree Reserve Account funding sources.

<a href="#">1:52:36 PM</a>	Ms. Morrison	Addressed Slide 13 - How transfers are calculated.
<a href="#">1:53:12 PM</a>	Ms. Morrison	Explained Slide 14 - the allocation process.
<a href="#">1:53:41 PM</a>	Ms. Morrison	Explained Slide 15 - an allocation example.
<a href="#">1:54:12 PM</a>	Ms. Morrison	Continued with Slides 16 and 17 to show the allocation process. She explained the transfer from the employer contribution account into the retirement reserve account - Slide 18.
<a href="#">1:55:35 PM</a>	Ms. Morrison	Explained Slide 19 - fully funding the retiree reserve account. She spoke of the various ways an employer can be impacted.
<a href="#">1:56:35 PM</a>	Ms. Morrison	Discussed the effect of both the allocation and transfer process - Slide 20.
<a href="#">1:57:18 PM</a>	Ms. Morrison	Addressed how the liabilities are calculated - Slide 21.
<a href="#">1:58:00 PM</a>	Ms. Morrison	Gave an example of liability allocation - Slides 22 and 23. She termed it an extreme example.
<a href="#">1:59:45 PM</a>	Ms. Morrison	Addressed the impact on contribution rates - Slide 24. The unfunded liability is the basis of the past service cost portion of the employer's contribution rate.
<a href="#">2:00:29 PM</a>	Ms. Morrison	Summarized the proposed solution - Slide 25. The PERS DB plan would align with TRS, is supported by ARMB, AML, and the governor, and is simpler to administer.
<a href="#">2:01:57 PM</a>	Representative Gara	Question the role of pension obligation bonds.
<a href="#">2:02:52 PM</a>	Ms. Kreitzer	Replied that scenarios will be provided at a later date regarding pension obligation bonds.
<a href="#">2:04:09 PM</a>	Co-Chair Chenault	Commented that members of the committee have bills regarding PERS/TRS. This issue will come before the committee at a later date.
<a href="#">2:05:36 PM</a>	Adjourn.	